Notes to Consolidated Financial Statements

AIRGAS, INC. AND SUBSIDIARIES

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of the Business
Airgas, Inc., together with its subsidiaries ("Airgas" or the "Company"), became a publicly traded company on the New York Stock Exchange in 1986. Since its inception, the Company has made nearly 450 acquisitions to become one of the nation's leading suppliers of industrial, medical and specialty gases, and hardgoods, such as welding equipment and related products. Airgas is a leading U.S. producer of atmospheric gases, carbon dioxide, dry ice and nitrous oxide, one of the largest U.S. suppliers of safety products, and a leading U.S. supplier of refrigerants, ammonia products and process chemicals. The Company markets its products and services through multiple sales channels, including branch-based sales representatives, retail stores, strategic customer account programs, telesales, catalogs, e-Business and independent distributors. More than 16,000 employees work in approximately 1,100 locations, including branches, retail stores, gas fill plants, specialty gas labs, production facilities and distribution centers.

(b) Basis of Presentation
The consolidated financial statements include the accounts of Airgas, Inc. and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

The Company has made estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). Estimates are used for, but not limited to, determining the net carrying value of trade receivables, inventories, plant and equipment, goodwill, other intangible assets, asset retirement obligations, business and health insurance reserves, loss contingencies and deferred tax assets. Actual results could differ from those estimates.

(c) Reclassifications and Prior Year Adjustments
The Company reclassified $15.0 million out of selling, distribution and administrative expenses into cost of products sold (excluding depreciation) for the year ended March 31, 2013, to correct an error in the prior year classification. Consolidated operating income and net earnings for the year ended March 31, 2013 were not impacted by the correction, and the amount is not material to either of the impacted line items in the Company's consolidated statement of earnings for the year ended March 31, 2013.

(d) Cash and Cash Overdraft
On a daily basis, available funds are swept from depository accounts into a concentration account and used to repay borrowings under the Company's commercial paper program. Cash principally represents the balance of customer checks that have not yet cleared through the banking system and become available to be swept into the concentration account, and deposits made subsequent to the daily cash sweep. The Company does not fund its disbursement accounts for checks it has written until the checks are presented to the bank for payment. Cash overdrafts represent the balance of outstanding checks and are classified with other current liabilities. There are no compensating balance requirements or other restrictions on the transfer of cash associated with the Company's depository accounts.

(e) Allowance for Doubtful Accounts
The Company maintains an allowance for doubtful accounts, which includes sales returns, sales allowances and bad debts. The allowance adjusts the carrying value of trade receivables for the estimate of accounts that will ultimately not be collected. An allowance for doubtful accounts is generally established as trade receivables age beyond their due dates, whether as bad debts or as sales returns and allowances. As past due balances age, higher valuation allowances are established, thereby lowering the net carrying value of receivables. The amount of valuation allowance established for each past-due period reflects the Company's historical collections experience, including that related to sales returns and allowances, as well as current economic conditions and trends. The Company also qualitatively establishes valuation allowances for specific problem accounts and bankruptcies, and other accounts that the Company deems relevant for specifically identified allowances. The amounts ultimately collected on past due trade receivables are subject to numerous factors including general economic conditions, the condition of the receivable portfolios assumed in acquisitions, the financial condition of individual customers and the terms of reorganization for accounts exiting bankruptcy. Changes in these conditions impact the Company's collection experience and may result in the recognition of higher or lower valuation allowances.

(f) Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") and average-cost methods. Substantially all of the inventories are finished goods.

(g) Plant and Equipment
Plant and equipment are initially stated at cost. Long-lived assets, including plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the recorded values cannot be recovered from the undiscounted future cash flows. For impairment testing purposes, long-lived assets are grouped with other assets and liabilities at the lowest level for which independent identifiable cash flows are determinable. When the book value of an asset or group of assets exceeds the associated undiscounted expected future cash flows, it is considered to be potentially impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values. The Company also leases property, plant and equipment, principally under operating leases. Rent expense for operating leases, which may have escalating rentals or rent holidays, is recorded on a straight-line basis over the respective lease terms.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

The Company determines depreciation expense using the straight-line method based on the estimated useful lives of the related assets. The Company uses accelerated depreciation methods for tax purposes where appropriate. Depreciation expense is recognized on the Company's plant and equipment in the consolidated statement of earnings line item "Depreciation."

The Company capitalizes the interest cost associated with the development and construction of significant new plant and equipment and depreciates that amount over the lives of the related assets. Capitalized interest recorded for construction in progress during each of the years in the three-year period ended March 31, 2014 was not material.

(h) Computer Software

The Company capitalizes certain costs incurred to purchase or develop computer software for internal use. These costs include purchased software packages, payments to vendors and consultants for the development, implementation or modification of purchased software packages for Company use, payroll and related costs for employees associated with internal-use software projects, interest costs incurred in developing software for internal use, and software costs that allow for access or conversion of old data by new internal-use software. Capitalized computer software costs are included within plant and equipment on the Company's consolidated balance sheets and depreciated over the estimated useful life of the computer software, which is generally three to ten years.

(i) Goodwill, Other Intangible Assets and Deferred Financing Costs

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company is required to test goodwill associated with each of its reporting units for impairment at least annually and whenever events or circumstances indicate that it is more likely than not that goodwill may be impaired. The Company performs its annual goodwill impairment test as of October 31 of each year.

Other intangible assets primarily include non-competition agreements and customer relationships resulting from business acquisitions. Both non-competition agreements and customer relationships are recorded based on their acquisition date fair values. Non-competition agreements are amortized using the straight-line method over the respective terms of the agreements. Customer relationships are amortized using the straight-line method over their estimated useful lives, which range from 7 to 25 years. The Company assesses the recoverability of other intangible assets by determining whether the carrying value of the intangible asset or asset group can be recovered through the projected undiscounted future cash flows of the related business unit. If the carrying value of an other intangible asset or asset group is not recoverable, impairment is measured as the amount by which the carrying value exceeds its estimated fair value. Fair value is determined using discounted cash flows or other techniques.

Financing costs related to the issuance of long-term debt are deferred and included in prepaid expenses and other current assets or in other non-current assets, depending upon the classification of the debt to which the costs relate. Deferred financing costs are amortized as interest expense over the term of the related debt instrument.

(j) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period during which the asset is placed in service. The fair value of the liability is estimated using projected discounted cash flows. In subsequent periods, the retirement obligation is accreted to its future value, which is the estimate of the obligation at the asset retirement date. When the asset is placed in service, a corresponding retirement asset equal to the fair value of the retirement obligation is also recorded as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life. The majority of the Company's asset retirement obligations are related to the restoration costs associated with returning plant and bulk tank sites to their original condition upon termination of long-term leases or supply agreements. The Company's asset retirement obligations totaled $19.0 million and $18.8 million at March 31, 2014 and 2013, respectively, and are reflected within other non-current liabilities on the Company's consolidated balance sheets.

(k) Nonretirement Postemployment Benefits

The Company has a severance plan covering its eligible employees. The benefit payable under the plan is attributable to employee services rendered with benefits that accumulate over time. When employees are entitled to severance benefits as part of a restructuring plan (see Note 22) and the benefits are part of an ongoing benefit arrangement, a liability and associated charge is recognized when payment of the severance benefits becomes probable and estimable.

(l) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation and other sources are recorded when it is probable that a liability has been incurred and the amount of the claim, assessment or damages can be reasonably estimated.

The Company maintains business insurance programs with deductible limits, which cover workers' compensation, business automobile and general liability claims. The Company accrues estimated losses using actuarial models and assumptions based on historical loss experience. The actuarial calculations used to estimate business insurance reserves are based on numerous assumptions, some of which are subjective. The Company will adjust its business insurance reserves, if necessary, in the event future loss experience differs from historical loss patterns.

The Company maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Company maintains a reserve for incurred but not reported medical claims and claim

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The Company will adjust its self-insured medical benefits reserve as the Company's loss experience changes due to medical inflation, changes in the number of plan participants and an aging employee base.

(m) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and operating loss carryforwards are expected to be recovered, settled or utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Company recognizes the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit is recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Additionally, the Company accrues interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. Interest and penalties are classified as income tax expense in the consolidated statements of earnings.

(n) Foreign Currency Translation

The functional currency of the Company's foreign operations is the applicable local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using average exchange rates during each reporting period. The gains or losses resulting from such translations are included in stockholders' equity as a component of accumulated other comprehensive income. Gains and losses arising from foreign currency transactions are reflected in the consolidated statements of earnings as incurred.

(o) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Concentrations of credit risk are limited due to the Company's large number of customers and their dispersion across many industries primarily throughout North America. Credit terms granted to customers are generally net 30 days.

(p) Derivative Instruments and Hedging Activities

In managing exposure to changes in market interest rates, the Company may enter into interest rate swap agreements and treasury rate lock agreements. An interest rate swap is a contractual exchange of interest payments between two parties. A standard interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for receiving a floating rate times the same notional amount from the other party. As interest rates change, the difference to be paid or received is accrued and recognized as interest expense or income over the life of the agreement. Treasury rate lock agreements are used to fix the interest rate related to forecasted debt issuances. Interest rate swap and treasury rate lock agreements are not entered into for trading purposes.

Historically, when the Company has held outstanding derivative instruments, the counterparties to the Company's interest rate contracts were major financial institutions. The Company has recognized derivative instruments on the balance sheet at fair value. The interest rate contracts were designated as hedges and recorded at fair value, with changes in fair value recognized in either accumulated other comprehensive income or in the carrying value of the hedged portions of fixed-rate debt, as applicable. Gains and losses on derivative instruments representing hedge ineffectiveness were recognized in current earnings.

(q) Revenue Recognition

Revenue from sales of gases and hardgoods products is recognized when the product is shipped, the sales price is fixed or determinable and collectability is reasonably assured. Rental fees on cylinders, cryogenic liquid containers, bulk gas storage tanks and other equipment are recognized when earned. For contracts that contain multiple deliverables, principally product supply agreements for gases and container rental, revenue is recognized for each deliverable as a separate unit of accounting, with selling prices derived from Company specific or third-party evidence. For cylinder lease agreements in which rental fees are collected in advance, revenues are deferred and recognized over the respective terms of the lease agreements. Amounts billed for sales tax, value added tax or other transactional taxes imposed on revenue-producing transactions are presented on a net basis and are not recognized as revenue.

(r) Cost of Products Sold (Excluding Depreciation)

Cost of products sold (excluding depreciation) for the Distribution business segment includes the cost of direct materials, freight-in and maintenance costs associated with cylinders, cryogenic liquid containers and bulk tanks. Cost of products sold (excluding depreciation) related to gases produced by the Company's air separation facilities includes direct manufacturing expenses, such as direct labor, power and overhead.

Cost of products sold (excluding depreciation) for the All Other Operations business segment principally consists of direct material costs, freight-in and direct manufacturing expenses, such as direct labor, power and overhead.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

(s) Selling, Distribution and Administrative Expenses
Selling, distribution and administrative expenses consist of labor and overhead associated with the purchasing, marketing and distribution of the Company's products, as well as costs associated with a variety of administrative functions such as legal, treasury, accounting and tax, and facility-related expenses.

(t) Shipping and Handling Fees and Distribution Costs
The Company recognizes delivery and freight charges to customers as elements of net sales. Costs of third-party freight-in are recognized as cost of products sold (excluding depreciation). The majority of the costs associated with the distribution of the Company's products, which include labor and overhead associated with filling, warehousing and delivery by Company and third-party vehicles, are reflected in selling, distribution and administrative expenses and were $850 million, $841 million and $797 million for the fiscal years ended March 31, 2014, 2013 and 2012, respectively. The Company conducts multiple operations out of the same facilities and does not allocate facility-related expenses to each operational function. Accordingly, there is no facility-related expense in the distribution costs disclosed above. Depreciation expense associated with the Company's delivery fleet of $32 million, $30 million and $27 million was recognized in depreciation for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

(u) Stock-based Compensation
The Company grants stock-based compensation awards in connection with its equity incentive and employee stock purchase plans. Stock-based compensation expense is generally recognized on a straight-line basis over the stated vesting period for each award, with accelerated vesting for retirement-eligible employees in accordance with the provisions of the equity incentive plan. See Note 13 for additional disclosures relating to stock-based compensation.

NOTE 2
ACCOUNTING AND DISCLOSURE CHANGES

In March 2013, the Financial Accounting Standards Board ("FASB") issued new guidance clarifying the accounting for the release of cumulative translation adjustments ("CTA") into net income upon the occurrence of certain sale or other derecognition transactions related to foreign entities. The new guidance describes the circumstances in which CTA should be released (either partially or fully) into net income based on the type of transaction related to a foreign entity. The Company adopted the new guidance effective April 1, 2014. The guidance did not have an impact on the Company's financial position, results of operation or liquidity upon adoption; rather, the Company will prospectively apply the provisions of the new guidance to applicable transactions related to its foreign entities.

In July 2013, the FASB issued new guidance clarifying the financial statement presentation of unrecognized tax benefits. The new guidance specifies that an unrecognized tax benefit (or a portion thereof) shall be presented in the financial statements as a reduction to a deferred tax asset depending on the availability of certain deferred tax assets to settle the additional income taxes resulting from the disallowance of a tax position. If the deferred tax asset is not available or the entity does not plan to use the deferred tax asset for such purpose given the option, the unrecognized tax benefit shall be presented in the financial statements as a liability and shall not be combined with deferred tax assets. The Company adopted the new guidance effective April 1, 2014, with no material impact on the balance sheet presentation of its unrecognized tax benefits. See Note 5 for additional information on the Company's unrecognized tax benefits.

In April 2014, the FASB issued new guidance on the reporting of discontinued operations. The guidance amends existing standards by limiting the presentation of discontinued operations to disposals that represent a strategic shift with a major effect on an entity's operations and financial results. In contrast, many disposals under current standards, which may be more routine in nature and not change an entity's strategy, are reported in discontinued operations. The guidance also requires new disclosures around both disposals qualifying for discontinued operations as well as significant disposals that are not considered discontinued operations. The new guidance is effective for the Company on a prospective basis starting April 1, 2015, with early adoption permitted for disposals that have not been previously reported in the Company's financial statements. The impact of the new guidance on the Company's consolidated financial statements will depend on the occurrence of disposal transactions subject to the guidance, and will only be applicable to new disposals subsequent to adoption.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 3

ACQUISITIONS AND DIVESTITURES

Acquisitions have been recorded using the acquisition method of accounting and accordingly, results of their operations have been included in the Company's consolidated financial statements since the effective date of each respective acquisition.

Fiscal 2014

During fiscal 2014, the Company purchased eleven businesses with historical annual sales of approximately $82 million. The largest of these businesses was The Encompass Gas Group, Inc. ("Encompass"), headquartered in Rockford, Illinois. With eleven locations in Illinois, Wisconsin, and Iowa, Encompass was one of the largest privately-owned suppliers of industrial, medical, and specialty gases and related hardgoods in the United States, generating approximately $55 million in annual sales in calendar 2012. The Company paid a total of $205 million in net cash consideration for the eleven businesses and for the settlement of holdback liabilities and payments related to contingent consideration arrangements associated with prior year acquisitions. Transaction and other integration costs incurred in fiscal 2014 were $1.5 million and were included in selling, distribution and administrative expenses in the Company's consolidated statement of earnings. These acquisitions contributed approximately $33 million in net sales in fiscal 2014.

The Company negotiated the respective purchase prices of the businesses based on the expected cash flows to be derived from their operations after integration into the Company's existing distribution, production and service networks. The acquisition purchase price for each business is allocated based on the fair values of the assets acquired and liabilities assumed, which are based on management estimates and third-party appraisals. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed related to fiscal 2014 acquisitions, as well as adjustments to finalize the valuations of certain prior year acquisitions. Valuation adjustments related to prior year acquisitions were not significant.

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Current assets, net	$ 14,631	$ 9	$ 14,640
Plant and equipment	48,919	(746)	48,173
Goodwill	95,626	(216)	95,410
Other intangible assets	60,190	—	60,190
Current liabilities	(6,088)	1,366	(4,722)
Non-current liabilities	(8,321)	—	(8,321)
Net assets acquired	$ 204,957	$ 413	$ 205,370

The fair value of trade receivables acquired in the fiscal 2014 acquisitions was $8.9 million, with gross contractual amounts receivable of $9.4 million. Goodwill associated with fiscal 2014 acquisitions was $93.3 million of which $89.7 million is deductible for income tax purposes. Goodwill largely consists of expected synergies resulting from the acquisitions, including the expansion of geographical coverage that will facilitate the sale of industrial, medical and specialty gases and related supplies. Other intangible assets related to fiscal 2014 acquisitions represent customer relationships and non-competition agreements and amounted to $55.8 million and $4.3 million, respectively. See Note 7 for further information on goodwill and other intangible assets.

Pro Forma Operating Results

The following table provides unaudited pro forma results of operations for fiscal 2014 and 2013, as if fiscal 2014 acquisitions had occurred on April 1, 2012. The pro forma results were prepared from financial information obtained from the sellers of the businesses, as well as information obtained during the due diligence process associated with the acquisitions. The unaudited pro forma results reflect certain adjustments related to the acquisitions, such as increased depreciation and amortization expense resulting from the stepped-up basis to fair value of assets acquired and adjustments to reflect the Company's borrowing and tax rates. The pro forma operating results do not include any anticipated synergies related to combining the businesses. Accordingly, such pro forma operating results were prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of April 1, 2012 or of results that may occur in the future.

	Unaudited Years Ended March 31,	
(In thousands, except per share amounts)	2014	2013
Net sales	$ 5,122,936	$ 5,037,123
Net earnings	352,421	343,933
Diluted earnings per share	$ 4.70	$ 4.39

Fiscal 2013

During fiscal 2013, the Company purchased eighteen businesses with historical annual sales of more than $95 million. A total of $98 million in net cash consideration was paid for the eighteen businesses and for the settlement of holdback liabilities and payments related to contingent consideration arrangements associated with prior year acquisitions. Transaction and other integration costs incurred in fiscal 2013 were $1.3 million and were included in selling, distribution and administrative expenses in the Company's consolidated statement of earnings. These acquisitions contributed approximately $30 million in net sales in fiscal 2013.

The Company negotiated the respective purchase prices of the businesses based on the expected cash flows to be derived from their operations after integration into the Company's existing distribution network and production locations. The following table summarizes, as of March 31, 2013, the fair values of the assets acquired and liabilities assumed related to fiscal 2013 acquisitions, as well as adjustments to finalize the valuations of certain prior year acquisitions. Valuation adjustments related to prior year acquisitions were not material.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Current assets, net	$ 14,627	$ 548	$ 15,175
Plant and equipment	24,191	1,018	25,209
Goodwill	31,104	3,101	34,205
Other intangible assets	38,658	2,155	40,813
Current liabilities	(10,990)	(2,134)	(13,124)
Non-current liabilities	(4,035)	(722)	(4,757)
Net assets acquired	$ 93,555	$ 3,966	$ 97,521

The fair value of trade receivables acquired with fiscal 2013 acquisitions was $9.2 million, with gross contractual amounts receivable of $9.6 million. Goodwill associated with fiscal 2013 acquisitions was $35.2 million and is deductible for income tax purposes. Goodwill largely consists of expected synergies resulting from the acquisitions, including the expansion of geographical coverage that will facilitate the sale of industrial, medical and specialty gases and related supplies, and the addition of businesses complementary to the Company's portfolio of products and services. Other intangible assets related to fiscal 2013 acquisitions represent customer relationships and non-competition agreements and amounted to $30.4 million and $11.7 million, respectively.

Pro Forma Operating Results

The following table provides unaudited pro forma results of operations for fiscal 2013 and 2012, as if fiscal 2013 acquisitions had occurred on April 1, 2011. The pro forma operating results were prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of April 1, 2011 or of results that may occur in the future.

	Unaudited Years Ended March 31,	
(In thousands, except per share amounts)	2013	2012
Net sales	$ 5,016,152	$ 4,816,254
Net earnings	343,191	312,730
Diluted earnings per share	$ 4.38	$ 3.99

Divestitures

On June 1, 2012, the Company divested the assets and operations of five branch locations in western Canada. The Company realized a gain on sale of $6.8 million ($5.5 million after tax) recorded in the "Other income, net" line item of the Company's consolidated statement of earnings. The operations were included in the Distribution business segment and contributed net sales that were not material to the Company's consolidated statement of earnings. Proceeds from the sale were used primarily to pay down outstanding debt under the Company's multi-currency revolving credit line.

Fiscal 2012

During fiscal 2012, the Company purchased eight businesses. The largest of these businesses were ABCO Gases, Welding and Industrial Supply Company, Inc. ("ABCO"), Pain Enterprises, Inc. ("Pain") and Industrial Welding Supplies of Hattiesburg, LLC (d/b/a "Nordan Smith"). ABCO was a New England-based industrial gas and welding supply distributor with 12 locations throughout Connecticut, New Hampshire, Massachusetts and Rhode Island with historical annual sales of approximately $35 million. Pain, a producer and distributor of dry ice and liquid carbon dioxide with 20 locations throughout the Midwestern United States, generated historical annual sales of approximately $33 million. Nordan Smith was a Mississippi-based industrial gas and welding supply distributor with 17 locations throughout Mississippi, Arkansas and Alabama with historical annual sales of approximately $31 million. A total of $160 million in net cash consideration was paid for the eight businesses and for the settlement of holdback liabilities and payments related to contingent consideration arrangements associated with prior year acquisitions. Transaction and other integration costs incurred in fiscal 2012 were $1.8 million and were included in selling, distribution and administrative expenses in the Company's consolidated statement of earnings. The businesses acquired in fiscal 2012 had aggregate historical annual sales of approximately $106 million. These acquisitions contributed approximately $58 million in net sales in fiscal 2012. The Company acquired these businesses in order to expand its geographic coverage and strengthen its national network of branch-store locations, and to expand its dry ice and liquid carbon dioxide production and distribution.

The Company negotiated the respective purchase prices of the businesses based on the expected cash flows to be derived from their operations after integration into the Company's existing distribution network and production locations. The following table summarizes, as of March 31, 2012, the fair values of the assets acquired and liabilities assumed related to fiscal 2012 acquisitions, as well as adjustments to finalize the valuations of certain prior year acquisitions.

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Current assets, net	$ 17,390	$ 5,017	$ 22,407
Plant and equipment	54,505	15,487	69,992
Goodwill	42,073	7,829	49,902
Other intangible assets	34,486	7,230	41,716
Current liabilities	(13,386)	(1,026)	(14,412)
Non-current liabilities	(5,937)	(3,553)	(9,490)
Net assets acquired	$ 129,131	$ 30,984	$ 160,115

The fair value of trade receivables acquired with fiscal 2012 acquisitions was $12.3 million, with gross contractual amounts receivable of $12.9 million. Goodwill associated with fiscal 2012 acquisitions was $48.2 million and is deductible for income tax purposes. Goodwill largely consists of expected synergies resulting from the acquisitions, including the expansion of geographical coverage that will facilitate the sale of industrial, medical and specialty gases and related supplies. Other intangible assets related to fiscal 2012 acquisitions represent customer relationships and non-competition agreements and amounted to $34.9 million and $6.6 million, respectively.

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 4
INVENTORIES, NET

Inventories, net, consist of:

(In thousands) March 31,	2014	2013
Hardgoods	$ 313,127	$ 317,119
Gases	165,022	157,702
	$ 478,149	$ 474,821

NOTE 5
INCOME TAXES

Earnings before income taxes were derived from the following sources:

(In thousands) Years Ended March 31,	2014	2013	2012
United States	$ 539,063	$ 519,833	$ 482,832
Foreign	12,842	23,584	9,334
	$ 551,905	$ 543,417	$ 492,166

Income tax expense consists of:

(In thousands) Years Ended March 31,	2014	2013	2012
Current:			
Federal	$ 184,308	$ 145,603	$ 94,665
Foreign	4,561	7,042	2,758
State	19,121	13,589	12,817
	207,990	166,234	110,240
Deferred:			
Federal	(4,722)	26,993	65,456
Foreign	(1,127)	(975)	474
State	(1,020)	10,291	2,622
	(6,869)	36,309	68,552
	$ 201,121	$ 202,543	$ 178,792

Significant differences between taxes computed at the federal statutory rate and the provision for income taxes were:

Years Ended March 31,	2014	2013	2012
Taxes at U.S. federal statutory rate	35.0 %	35.0 %	35.0 %
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	2.1 %	2.9 %	2.5 %
Stock-based compensation expense	0.1 %	0.2 %	0.2 %
State tax effect of corporate reorganization	— %	— %	(0.7)%
Domestic production activities deduction	(1.0)%	(0.9)%	(0.4)%
Other, net	0.2 %	0.1 %	(0.3)%
	36.4 %	37.3 %	36.3 %

The tax effects of cumulative temporary differences and carryforwards that gave rise to the significant portions of the deferred tax assets and liabilities were as follows:

(In thousands) March 31,	2014	2013
Deferred Tax Assets:		
Inventories	$ 25,874	$ 24,202
Accounts receivable	1,274	—
Deferred rental income	18,256	16,519
Insurance reserves	12,627	13,622
Litigation settlement and other reserves	3,181	3,856
Asset retirement obligations	7,180	6,463
Stock-based compensation	30,934	25,826
Other	20,590	19,694
Net operating loss carryforwards	13,081	16,419
Valuation allowance	(308)	(2,127)
	132,689	124,474
Deferred Tax Liabilities:		
Accounts receivable	—	(937)
Plant and equipment	(702,080)	(713,132)
Intangible assets	(188,289)	(170,310)
Other	(10,256)	(12,145)
	(900,625)	(896,524)
Net deferred tax liability	$ (767,936)	$ (772,050)

Current deferred tax assets and current deferred tax liabilities have been netted for presentation purposes. Non-current deferred tax assets and non-current deferred tax liabilities have also been netted. Deferred tax assets and liabilities are reflected in the Company's consolidated balance sheets as follows:

(In thousands) March 31,	2014	2013
Current deferred income tax asset, net	$ 57,961	$ 53,562
Non-current deferred income tax liability, net	(825,897)	(825,612)
Net deferred tax liability	$ (767,936)	$ (772,050)

The Company has recorded tax benefits amounting to $13.7 million, $36.2 million and $16.0 million in the years ended March 31, 2014, 2013 and 2012, respectively, resulting from the exercise of stock options. This benefit has been recorded in capital in excess of par value.

The Company has recorded deferred tax assets related to the expected future tax benefits of state net operating losses of $13.0 million and $16.4 million as of March 31, 2014 and 2013, respectively. State loss carryforwards expire at various times through 2034.

U.S. income taxes have not been provided on approximately $106 million of undistributed earnings of non-U.S. subsidiaries because it is the Company's intention to continue to reinvest these earnings in those subsidiaries to support their growth. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the unrecognized deferred tax liability relating to such amounts.

As of March 31, 2014, the Company has unrecognized state tax benefits of approximately $18.2 million, which were recorded in other non-current liabilities, and a related $7.7

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million of federal tax assets associated with those state tax benefits recorded in non-current deferred tax assets. If recognized, all of the unrecognized tax benefits and related interest and penalties would reduce tax expense. The Company does not anticipate significant changes in the amount of unrecognized income tax benefits over the next year.

A reconciliation of the beginning and ending amount of unrecognized net income tax benefits, including penalties associated with uncertain tax positions, is as follows:

(In thousands) March 31,	2014	2013
Beginning unrecognized net income tax benefits	$ 16,467	$ 14,146
Additions for current year tax positions	3,054	2,419
Additions for tax positions of prior years	151	969
Reductions for tax positions of prior years	(1,448)	(1,067)
Reductions for settlements with taxing authorities	—	—
Reductions as a result of expiration of applicable statutes of limitations	—	—
Ending unrecognized net income tax benefits	$ 18,224	$ 16,467

Interest and penalties recognized for the years ended March 31, 2014, 2013 and 2012 were classified as income tax expense in the Company's consolidated statements of earnings and were not material. Consistent with past practice, the Company will continue to record interest and penalties associated with uncertain tax positions in income tax expense. The Company had approximately $4.8 million and $4.6 million for the payment of interest and penalties accrued at March 31, 2014 and 2013, respectively.

The Company files income tax returns in the United States and foreign jurisdictions. The Company also files income tax returns in every state which imposes corporate income tax. The Company is not under examination by the IRS or in any significant foreign, state or local tax jurisdictions. With limited exceptions, the Company is no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years before fiscal 2010.

NOTE 6
PLANT AND EQUIPMENT

The major classes of plant and equipment, at cost, are as follows:

(In thousands) March 31,	Depreciable Lives (Yrs)	2014	2013
Land and land improvements	—	$ 209,195	$ 203,362
Buildings and improvements	25	538,712	511,818
Cylinders	30	1,405,857	1,360,059
Bulk tank stations	10 to 30 (Average 17)	720,717	663,140
Rental equipment	2 to 10	403,351	334,844
Machinery and equipment	7 to 10	948,638	897,040
Computers, furniture and fixtures	3 to 10	303,400	277,254
Transportation equipment	3 to 15	341,709	312,402
Construction in progress	—	59,485	26,014
		$ 4,931,064	$ 4,585,933

NOTE 7
GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The valuations of assets acquired and liabilities assumed from certain recent acquisitions are based on preliminary estimates of fair value and are subject to revision as the Company finalizes appraisals and other analyses. Changes in the carrying amount of goodwill by business segment for fiscal 2014 and 2013 were as follows:

(In thousands)	Distribution Business Segment	All Other Operations Business Segment	Total
Balance at March 31, 2012	$ 969,394	$ 194,409	$ 1,163,803
Acquisitions [(a)]	31,104	3,101	34,205
Other adjustments, including foreign currency translation	(2,370)	(25)	(2,395)
Balance at March 31, 2013	998,128	197,485	1,195,613
Acquisitions [(a)]	95,626	(216)	95,410
Other adjustments, including foreign currency translation	(1,026)	(101)	(1,127)
Balance at March 31, 2014	$ 1,092,728	$ 197,168	$ 1,289,896

(a) Includes acquisitions completed during the respective year and adjustments made to prior year acquisitions.

Annual Test for Goodwill Impairment

The Company is required to test goodwill associated with each of its reporting units for impairment at least annually and whenever events or circumstances indicate that it is more likely than not that goodwill may be impaired. The Company performs its annual goodwill impairment test as of October 31 of each year. At October 31, 2013, the Company had 20 reporting units in the Distribution business segment and 6

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reporting units in the All Other Operations business segment, each of which constitutes an operating segment for purposes of the Company's segment reporting.

GAAP provides that prior to performing the traditional two-step goodwill impairment test, the Company is permitted to first perform a qualitative assessment about the likelihood of the carrying value of a reporting unit exceeding its fair value, referred to as the "Step 0" assessment. The Step 0 assessment requires the evaluation of certain events and circumstances such as macroeconomic conditions, industry and market considerations, cost factors and overall financial performance, as well as company and reporting unit-specific items. After performing the Step 0 assessment, should the Company determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, it is required to perform the prescribed two-step goodwill impairment test to identify the potential goodwill impairment and measure the amount of the goodwill impairment loss, if any, to be recognized for that reporting unit. However, if the Company concludes otherwise based on the Step 0 assessment, the two-step goodwill impairment test is not required. The Step 0 assessment can be applied to none, some or all of the Company's reporting units in any period, and the Company may also bypass the Step 0 assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test for the given reporting unit.

For the October 31, 2013 goodwill impairment test, the Company applied the Step 0 assessment to all 20 of the reporting units in the Distribution business segment and 4 of the 6 reporting units in the All Other Operations business segment. After performing the Step 0 assessment for these reporting units, the Company concluded that it is not more likely than not that the fair value of each reporting unit is less than its carrying amount. Therefore, the two-step goodwill impairment test is not necessary for these reporting units.

However, the Company bypassed the option to perform the Step 0 assessment and proceeded directly to performing the first step of the two-step goodwill impairment test for two of its reporting units in the All Other Operations business segment, namely its refrigerants business and a small medical systems business. The Company determined the estimated fair value of these reporting units as of October 31, 2013 using a discounted cash flow model and compared these values to the carrying values of the respective reporting units. Significant assumptions used in the cash flow model include revenue growth rates and profit margins based on the reporting unit business plans, future capital expenditures, working capital needs, and discount and perpetual growth rates. The discount rate used to estimate the fair value of the reporting units exceeded the Company's weighted average cost of capital as a whole, as the discount rate used for this purpose assigns a higher risk premium to the smaller entities. The perpetual growth rate assumed in the discounted cash flow model was in line with the long-term growth rate as measured by the U.S. Gross Domestic Product and the industry's long-term rate of growth. In addition to Company and reporting unit-specific growth targets, general economic conditions, the long-term economic outlook for the U.S. economy, and market conditions affecting borrowing costs and returns on equity all influence the estimated fair value of the reporting units. The Company's methodology used for valuing its reporting units for the purpose of its goodwill impairment test is consistent with the prior year.

For the Company's refrigerants business, the result of the annual goodwill impairment test indicated that the fair value of the reporting unit was in excess of its carrying amount by more than 10%. The forecasted cash flows for this business reflect an evolving regulatory environment, which most recently was impacted by the United States Environmental Protection Agency's ("EPA") ruling in March 2013 that allowed for an increase in the production and import of Refrigerant-22 ("R-22") in calendar year 2013. The ruling pressured both volumes and pricing of R-22 given the increased supply in the market. The Company believes that its refrigerants business is well-positioned to benefit from an expected increase in demand for reclaimed and recycled R-22, as well as from expected increases in market pricing of R-22, as the phase-out related to regulations adopted by the U.S. in response to the Montreal Protocol on Substances that Deplete the Ozone Layer progresses. However, changes in the amount or timing of the reporting unit's estimated future cash flows as a result of unexpected regulatory changes could adversely affect the fair value or carrying amount of this reporting unit. As a result, the Company will continue to monitor this business and consider interim analyses of goodwill as appropriate. The amount of goodwill associated with this reporting unit was $88 million at March 31, 2014.

The result of the goodwill impairment test for the medical systems business in the Company's All Other Operations business segment did not indicate that the reporting unit's goodwill was potentially impaired. However, the fair value of the reporting unit was not substantially in excess of its carrying amount. The Company will continue to monitor this business and consider interim analyses of goodwill as appropriate; however, the amount of goodwill associated with this reporting unit is not material to the Company's consolidated financial statements.

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Other Intangible Assets

Other intangible assets by major class are as follows:

	March 31, 2014				March 31, 2013			
(In thousands)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	17	$ 345,199	$(107,577)	$ 237,622	15	$ 294,598	$ (91,354)	$ 203,244
Non-competition agreements	7	40,316	(19,287)	21,029	7	42,891	(19,338)	23,553
Other		199	(14)	185		1,295	(1,268)	27
		$ 385,714	$(126,878)	$ 258,836		$ 338,784	$(111,960)	$ 226,824

Other intangible assets primarily consist of customer relationships, which are amortized over the estimated benefit periods, which range from 7 to 25 years, and non-competition agreements, which are amortized over the terms of the agreements. The determination of the estimated benefit periods associated with customer relationships is based on an analysis of historical customer sales attrition information and other customer-related factors at the date of acquisition. There are no expected residual values related to these intangible assets. The Company evaluates the estimated benefit periods and recoverability of its other intangible assets when facts and circumstances indicate that the lives may not be appropriate and/or the carrying values of the assets may not be recoverable. If the carrying value of an other intangible asset or asset group is not recoverable, impairment is measured as the amount by which the carrying value exceeds its estimated fair value.

As the Company's other intangible assets amortize and reach the end of their respective amortization periods, the fully amortized balances are removed from the gross carrying and accumulated amortization amounts. Amortization expense related to the Company's other intangible assets for fiscal 2014 and 2013 was $28.6 million and $26.2 million, respectively. Estimated future amortization expense by fiscal year is as follows: fiscal 2015 — $29.2 million; 2016 — $27.5 million; 2017 — $25.7 million; 2018 — $24.0 million; 2019 — $22.0 million; and $130.4 million thereafter.

Prior Year Impairment Evaluation

In June 2012, the Company re-evaluated the economic viability of a small hospital piping construction business associated with a reporting unit in the Company's All Other Operations business segment. In accordance with relevant accounting guidance, if events or circumstances exist indicating that it is more likely than not that goodwill may be impaired, the Company is required to perform an interim assessment of the carrying value of goodwill. However, prior to performing the test for goodwill impairment, the Company is required to perform an assessment of the recoverability of the long-lived assets (including amortizing intangible assets) of the business. Long-lived assets are not considered recoverable when the carrying amount of the long-lived asset or asset group exceeds the undiscounted expected future cash flows. If long-lived assets are not recoverable, an impairment loss is recognized to the extent that the carrying amount exceeds fair value.

As a result of the impairment analysis performed on the long-lived assets at this reporting unit, the Company recorded a charge of $1.7 million related to certain of the other intangible assets associated with this business during the three months ended June 30, 2012. The charge was reflected in the "Restructuring and other special charges, net" line item of the Company's consolidated statement of earnings and was not allocated to the Company's business segments (see Note 21). See Note 11 for further information on the valuation methodology used in determining the impairment loss.

Subsequent to the intangible asset write-down, the Company performed an assessment of the carrying value of goodwill associated with the reporting unit. The assessment did not indicate that the reporting unit's goodwill was potentially impaired. Although the fair value of the reporting unit was not substantially in excess of its carrying amount, the amount of goodwill associated with this reporting unit is not material to the Company's consolidated financial statements.

NOTE 8

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities include:

(In thousands) March 31,	2014	2013
Accrued payroll and employee benefits	$ 92,038	$ 89,131
Business insurance reserves [(a)]	49,372	53,619
Taxes other than income taxes	25,183	23,154
Cash overdraft	68,245	83,158
Deferred rental revenue	34,557	31,909
Accrued interest	11,335	23,373
Other accrued expenses and current liabilities	64,946	70,539
	$ 345,676	$ 374,883

(a) With respect to the business insurance reserves above, the Company had corresponding insurance receivables of $11.8 million at March 31, 2014 and $14.0 million at March 31, 2013, which are included within the "Prepaid expenses and other current assets" line item on the Company's consolidated balance sheets. The insurance receivables represent the balance of probable claim losses in excess of the Company's deductible for which the Company is fully insured.

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NOTE 9
INDEBTEDNESS

Total debt consists of:

(In thousands) March 31,	2014	2013
Short-term		
Money market loans	$ —	$ —
Commercial paper	387,866	—
Short-term debt	$ 387,866	$ —
Long-term		
Trade receivables securitization	$ 295,000	$ 295,000
Revolving credit borrowings — U.S.	—	—
Revolving credit borrowings — Multi-currency	54,230	36,705
Revolving credit borrowings — France	8,056	7,372
Senior notes, net	1,748,774	2,050,820
Senior subordinated notes	—	215,446
Other long-term debt	1,036	2,475
Total long-term debt	2,107,096	2,607,818
Less current portion of long-term debt	(400,322)	(303,573)
Long-term debt, excluding current portion	$ 1,706,774	$ 2,304,245
Total debt	$ 2,494,962	$ 2,607,818

Money Market Loans

The Company has an agreement with a financial institution to provide access to short-term advances not to exceed $35 million that was extended in November 2013 and now expires on December 30, 2014. The agreement may be further extended subject to renewal provisions contained in the agreement. The advances may be for one to six months with rates at a fixed spread over the corresponding London Interbank Offering Rate ("LIBOR"). At March 31, 2014, there were no advances outstanding under the agreement.

The Company also has an agreement with another financial institution that provides access to additional short-term advances not to exceed $35 million that expires on July 31, 2014. The agreement may be extended subject to renewal provisions contained in the agreement. The advances are generally overnight or for up to seven days. The amount, term and interest rate of an advance are established through mutual agreement with the financial institution when the Company requests such an advance. At March 31, 2014, there were no advances outstanding under the agreement.

Commercial Paper

The Company participates in a $750 million commercial paper program supported by its $750 million revolving credit facility (see below). This program allows the Company to obtain favorable short-term borrowing rates with maturities that vary, but will generally not exceed 90 days from the date of issue, and is classified as short-term debt. At maturity, the commercial paper balances are often rolled over rather than repaid or refinanced, depending on the Company's cash and liquidity positions. The Company has used proceeds from the commercial paper issuances for general corporate purposes. At March 31, 2014, $388 million was outstanding under the commercial paper program and the average interest rate on these borrowings was 0.35%. There were no borrowings outstanding under the commercial paper program at March 31, 2013.

Trade Receivables Securitization

The Company participates in a securitization agreement with three commercial bank conduits to which it sells qualifying trade receivables on a revolving basis (the "Securitization Agreement"). The Company's sale of qualified trade receivables is accounted for as a secured borrowing under which qualified trade receivables collateralize amounts borrowed from the commercial bank conduits. Trade receivables that collateralize the Securitization Agreement are held in a bankruptcy-remote special purpose entity, which is consolidated for financial reporting purposes and represents the Company's only variable interest entity. Qualified trade receivables in the amount of the outstanding borrowing under the Securitization Agreement are not available to the general creditors of the Company. The maximum amount available under the Securitization Agreement is $295 million, with the outstanding borrowings bearing interest at a rate of approximately LIBOR plus 75 basis points.

On December 5, 2013, the Company entered into the Fourth Amendment to the Securitization Agreement, which extended the expiration date of the Securitization Agreement from December 4, 2015 to December 5, 2016. At March 31, 2014, the amount of outstanding borrowing under the Securitization Agreement was $295 million. Amounts borrowed under the Securitization Agreement could fluctuate monthly based on the Company's funding requirements and the level of qualified trade receivables available to collateralize the Securitization Agreement. The Securitization Agreement contains customary events of termination, including standard cross-default provisions with respect to outstanding debt.

Senior Credit Facility

The Company participates in a $750 million Amended and Restated Credit Facility (the "Credit Facility"). The Credit Facility consists of a $650 million U.S. dollar revolving credit line, with a $65 million letter of credit sublimit and a $50 million swingline sublimit, and a $100 million (U.S. dollar equivalent) multi-currency revolving credit line. The maturity date of the Credit Facility is July 19, 2016. Under circumstances described in the Credit Facility, the revolving credit line may be increased by an additional $325 million, provided that the multi-currency revolving credit line may not be increased by more than an additional $50 million.

As of March 31, 2014, the Company had $54 million of borrowings under the Credit Facility, all of which were under the multi-currency revolver. There were no borrowings under the U.S. dollar revolver at March 31, 2014. The Company also had outstanding U.S. letters of credit of $51 million issued under the Credit Facility. U.S. dollar revolver borrowings bear interest at the LIBOR plus 125 basis points. The multi-currency revolver bears interest based on a rate of 125 basis points over the Euro currency rate applicable to each foreign currency borrowing. As of March 31, 2014, the average interest rate on the multi-currency revolver was 1.75%. In addition to the borrowing spread of 125 basis points for U.S. dollar and

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multi-currency revolver borrowings, the Company pays a commitment (or unused) fee on the undrawn portion of the Credit Facility equal to 20 basis points per annum.

At March 31, 2014, the financial covenant of the Credit Facility did not restrict the Company's ability to borrow on the unused portion of the Credit Facility. The Credit Facility contains customary events of default, including, without limitation, failure to make payments, a cross-default to certain other debt, breaches of covenants, breaches of representations and warranties, certain monetary judgments and bankruptcy and ERISA events. At March 31, 2014, the Company was in compliance with all covenants under all of its debt agreements. In the event of default, repayment of borrowings under the Credit Facility may be accelerated. As of March 31, 2014, $257 million remained available under the Company's Credit Facility, after giving effect to the borrowings under the commercial paper program backstopped by the Credit Facility, the outstanding U.S. letters of credit and the borrowings under the multi-currency revolver.

The Company also maintains a committed revolving line of credit of up to €8.0 million (U.S. $11.0 million) to fund its operations in France. These revolving credit borrowings are outside of the Company's Credit Facility. At March 31, 2014, these revolving credit borrowings were €5.8 million (U.S. $8.1 million). The variable interest rates on the French revolving credit borrowings are based on the Euro currency rate plus 125 basis points. As of March 31, 2014, the interest rate on the French revolving credit borrowings was 1.47%. This line of credit matures on July 19, 2016.

Senior Notes

At March 31, 2014, the Company had $400 million outstanding of 4.5% senior notes maturing on September 15, 2014 (the "2014 Notes"). The 2014 Notes were issued at a discount with a yield of 4.527%. Interest on the 2014 Notes is payable semi-annually on March 15 and September 15 of each year. The 2014 Notes are included within the "Current portion of long-term debt" line item on the Company's consolidated balance sheet based on the maturity date.

At March 31, 2014, the Company had $250 million outstanding of 3.25% senior notes maturing on October 1, 2015 (the "2015 Notes"). The 2015 Notes were issued at a discount with a yield of 3.283%. Interest on the 2015 Notes is payable semi-annually on April 1 and October 1 of each year.

At March 31, 2014, the Company had $250 million outstanding of 2.95% senior notes maturing on June 15, 2016 (the "2016 Notes"). The 2016 Notes were issued at a discount with a yield of 2.980%. Interest on the 2016 Notes is payable semi-annually on June 15 and December 15 of each year.

At March 31, 2014, the Company had $325 million outstanding of 1.65% senior notes maturing on February 15, 2018 (the "2018 Notes"). The 2018 Notes were issued at a discount with a yield of 1.685%. Interest on the 2018 Notes is payable semi-annually on February 15 and August 15 of each year.

At March 31, 2014, the Company had $275 million outstanding of 2.375% senior notes maturing on February 15, 2020 (the "2020 Notes"). The 2020 Notes were issued at a discount with a yield of 2.392%. Interest on the 2020 Notes is payable semi-annually on February 15 and August 15 of each year.

At March 31, 2014, the Company had $250 million outstanding of 2.90% senior notes maturing on November 15, 2022 (the "2022 Notes"). The 2022 Notes were issued at a discount with a yield of 2.913%. Interest on the 2022 Notes is payable semi-annually on May 15 and November 15 of each year.

On October 1, 2013, the Company repaid $300 million of indebtedness associated with its 2.85% senior notes (the "2013 Notes") upon their maturity.

The 2014, 2015, 2016, 2018, 2020 and 2022 Notes (collectively, the "Senior Notes") contain covenants that could restrict the incurrence of liens and limit sale and leaseback transactions. Additionally, the Company has the option to redeem the Senior Notes prior to their maturity, in whole or in part, at 100% of the principal plus any accrued but unpaid interest and applicable make-whole payments.

Senior Subordinated Notes

The Company had $215 million outstanding of 7.125% senior subordinated notes originally due to mature on October 1, 2018 (the "2018 Senior Subordinated Notes"). The 2018 Senior Subordinated Notes had a redemption provision which permitted the Company, at its option, to call the 2018 Senior Subordinated Notes at scheduled dates and prices beginning on October 1, 2013. On October 2, 2013, the 2018 Senior Subordinated Notes were redeemed in full at a price of 103.563%. A loss on the early extinguishment of the 2018 Senior Subordinated Notes of $9.1 million ($5.6 million after tax) was recognized during the year ended March 31, 2014 related to the redemption premium and the write-off of unamortized debt issuance costs.

Other Long-term Debt

The Company's other long-term debt primarily consists of capitalized lease obligations and notes issued to sellers of businesses acquired, which are repayable in periodic installments. At March 31, 2014, other long-term debt totaled $1.0 million with an average interest rate of approximately 6.5% and an average maturity of approximately two years.

Aggregate Long-term Debt Maturities

The aggregate maturities of long-term debt at March 31, 2014 are as follows:

(In thousands) **Years Ending March 31,**	**Debt Maturities[(a)]**
2015	$ 400,370
2016	250,350
2017	607,507
2018	325,095
2019	—
Thereafter	525,000
	$ 2,108,322

(a) Outstanding borrowings under the Securitization Agreement at March 31, 2014 are reflected as maturing at the agreement's expiration in December 2016.

The Senior Notes are reflected in the debt maturity schedule at their maturity values rather than their carrying values, which are net of aggregate discounts of $1.2 million at March 31, 2014.

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NOTE 10

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company may use derivative instruments to manage its exposure to changes in market interest rates. The Company's involvement with derivative instruments has been limited to highly effective interest rate swap agreements used to manage well-defined interest rate risk exposures and treasury rate lock agreements used to fix the interest rate related to forecasted debt issuances. When the Company has derivative instruments outstanding, it monitors its positions as well as the credit ratings of its counterparties, including the potential for non-performance by the counterparties. The Company does not enter into interest rate swap or treasury rate lock agreements for trading purposes. The Company recognizes outstanding derivative instruments as either assets or liabilities at fair value on the consolidated balance sheet.

Cash Flow Hedges

In anticipation of the issuance of the 2015 Notes, the Company entered into a treasury rate lock agreement in July 2010 with a notional amount of $100 million that matured in September 2010. The treasury rate lock agreement was designated as a cash flow hedge of the semi-annual interest payments associated with the forecasted issuance of the 2015 Notes. When the treasury rate lock agreement matured, the Company realized a loss of $2.6 million ($1.6 million after tax) which was reported as a component within accumulated other comprehensive income ("AOCI") and is being reclassified into earnings over the term of the 2015 Notes. For the years ended March 31, 2014, 2013 and 2012, $517 thousand of the loss on the treasury rate lock was reclassified to interest expense during each period. At March 31, 2014, the estimated loss recorded in AOCI on the treasury rate lock agreement that is expected to be reclassified into earnings within the next twelve months is $517 thousand ($326 thousand after tax). See Note 12 for additional details regarding the impact of the treasury rate lock agreement on the Company's other comprehensive income balance and reclassifications from AOCI into earnings.

Fair Value Hedges

The Company previously had five variable interest rate swap agreements outstanding with a notional amount of $300 million, which were designated as fair value hedges. These variable interest rates swaps were used to effectively convert the Company's $300 million of fixed rate 2013 Notes to variable rate debt. The swap agreements matured on October 1, 2013, coinciding with the maturity date of the Company's 2013 Notes. For derivative instruments designated as fair value hedges, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings.

During the year ended March 31, 2014, the fair value of the variable interest rate swap assets decreased by $2.5 million and liability carrying value of the 2013 Notes caused by the hedged risk also decreased by $2.5 million. The Company recorded the gain or loss on the hedged item (i.e., the 2013 Notes) and the gain or loss on the variable interest rate swaps in interest expense. The net gain or loss recorded in earnings as a result of hedge ineffectiveness related to the designated fair value hedges was immaterial for the years ended March 31, 2014, 2013 and 2012.

Tabular Disclosure

The following tables reflect the fair values of derivative instruments on the Company's consolidated balance sheets as well as the effect of derivative instruments in fair value hedging relationships on the Company's earnings. See Note 12 for the tabular presentation of derivative instruments in cash flow hedging relationships related to the treasury rate lock agreement.

Fair Value of Derivatives Designated as Hedging Instruments

	March 31, 2014		March 31, 2013	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps:				
Variable interest rate swaps	Prepaid expenses and other current assets	$ —	Prepaid expenses and other current assets	$ 2,490

Effect of Derivative Instruments in Fair Value Hedging Relationships on Earnings

(In thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Pre-tax Income	Amount of Gain (Loss) Recognized in Pre-Tax Income — Years Ended March 31, 2014	2013	2012
Change in fair value of variable interest rate swaps	Interest expense, net	$ (2,490)	$ (4,244)	$ 1,648
Change in carrying value of 2013 Notes	Interest expense, net	2,496	4,273	(1,597)
Net effect	Interest expense, net	$ 6	$ 29	$ 51

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NOTE 11

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are classified based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels related to the subjectivity of the valuation inputs are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable, directly or indirectly through corroboration with observable market data at the measurement date.
- Level 3 inputs are unobservable inputs that reflect management's best estimate of the assumptions (including assumptions about risk) that market participants would use in pricing the asset or liability at the measurement date.

The carrying value of cash, trade receivables, other current receivables, trade payables and other current liabilities (e.g., deposit liabilities, cash overdrafts, etc.) approximates fair value based on the short-term maturity of these financial instruments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at March 31, 2014 and 2013 are categorized in the tables below based on the lowest level of significant input to the valuation. During the periods presented, there were no transfers between fair value hierarchical levels.

(In thousands)	Balance at March 31, 2014	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Assets:				
Deferred compensation plan assets	$ 16,387	$ 16,387	$ —	$ —
Derivative assets — variable interest rate swap agreements	—	—	—	—
Total assets measured at fair value on a recurring basis	$ 16,387	$ 16,387	$ —	$ —
Liabilities:				
Deferred compensation plan liabilities	$ 16,387	$ 16,387	$ —	$ —
Contingent consideration liabilities	323	—	—	323
Total liabilities measured at fair value on a recurring basis	$ 16,710	$ 16,387	$ —	$ 323

(In thousands)	Balance at March 31, 2013	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Assets:				
Deferred compensation plan assets	$ 13,631	$ 13,631	$ —	$ —
Derivative assets — variable interest rate swap agreements	2,490	—	2,490	—
Total assets measured at fair value on a recurring basis	$ 16,121	$ 13,631	$ 2,490	$ —
Liabilities:				
Deferred compensation plan liabilities	$ 13,631	$ 13,631	$ —	$ —
Contingent consideration liabilities	3,632	—	—	3,632
Total liabilities measured at fair value on a recurring basis	$ 17,263	$ 13,631	$ —	$ 3,632

The following is a general description of the valuation methodologies used for financial assets and liabilities measured at fair value:

Deferred compensation plan assets and corresponding liabilities — The Company's deferred compensation plan assets consist of open-ended mutual funds (Level 1) and are included within other non-current assets on the consolidated balance sheets. The Company's deferred compensation plan liabilities are equal to the plan's assets and are included within other non-current liabilities on the consolidated balance sheets. Gains or losses on the deferred compensation plan assets are recognized as other income, net, while gains or losses on the deferred compensation plan liabilities are recognized as compensation expense in the consolidated statements of earnings.

Derivative assets — interest rate swap agreements — The Company's variable interest rate swap agreements were with highly-rated counterparties, were designated as fair value hedges and effectively converted the Company's fixed rate 2013 Notes to variable rate debt. The swap agreements were valued using an income approach that relies on observable market inputs such as interest rate yield curves and treasury spreads (Level 2). Expected future cash flows under the approach were converted to a present value amount based upon market expectations of the changes in these interest rate yield curves. The fair values of the interest rate swap derivative instruments were included in prepaid expenses and other current assets on the consolidated balance sheet at March 31, 2013. On October 1, 2013, the variable interest rate swaps matured, coinciding with the maturity date of the Company's 2013 Notes. See Note 10 for additional derivatives disclosures.

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AIRGAS, INC. AND SUBSIDIARIES

Contingent consideration liabilities — As part of the consideration for certain acquisitions, the Company has arrangements in place whereby future consideration in the form of cash may be transferred to the sellers contingent upon the achievement of certain earnings targets. The fair values of the contingent consideration arrangements were estimated using the income approach with inputs that are not observable in the market. Key assumptions for each arrangement, as applicable, include a discount rate commensurate with the level of risk of achievement, time horizon and other risk factors, and probability adjusted earnings growth, all of which the Company believes are appropriate and representative of market participant assumptions. As of March 31, 2014, the contingent consideration liability is included within accrued expenses and other current liabilities on the consolidated balance sheet. The impact on the Company's earnings as a result of the contingent consideration arrangements is recorded within selling, distribution and administrative expenses in the statement of earnings, and was $1.5 million for the year ended March 31, 2014. There was no material impact on the Company's earnings as a result of the contingent consideration arrangements for the year ended March 31, 2013.

Changes in the fair value of recurring fair value measurements using significant unobservable inputs (Level 3) for the years ended March 31, 2014 and 2013 were as follows (in thousands):

Balance at March 31, 2012	$ 2,512
Contingent consideration liabilities recorded	1,750
Settlements made during the period	(669)
Adjustments to fair value measurement	39
Balance at March 31, 2013	$ 3,632
Contingent consideration liabilities recorded	—
Settlements made during the period	(1,841)
Adjustments to fair value measurement	(1,468)
Balance at March 31, 2014	$ 323

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition. Assets measured at fair value on a nonrecurring basis during the years ended March 31, 2013 and 2012 are categorized in the tables below based on the lowest level of significant input to the valuation. There were no liabilities measured at fair value on a nonrecurring basis during the years ended March 31, 2013 and 2012.

(In thousands)	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total losses (year ended March 31, 2013)
Assets:				
Other intangible assets	$ —	$ —	$ 535	$ 1,729
Total assets measured at fair value on a non-recurring basis	$ —	$ —	$ 535	$ 1,729

(In thousands)	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total losses (year ended March 31, 2012)
Assets:				
Long-lived assets held and used	$ —	$ —	$ 9,165	$ 4,250
Total assets measured at fair value on a non-recurring basis	$ —	$ —	$ 9,165	$ 4,250

In June 2012, the Company re-evaluated the economic viability of a small hospital piping construction business (see Note 7). As a result of an impairment analysis performed on the long-lived assets at this reporting unit, the Company recorded a charge of $1.7 million related to certain of the intangible assets associated with this business during the year ended March 31, 2013, which was reflected in the "Restructuring and other special charges, net" line item of the Company's consolidated statement of earnings for the year ended March 31, 2013. The Company used a variation of the income approach, namely the excess earnings method, to estimate the fair value of the intangible assets associated with the business. Under this approach, an intangible asset's fair value is estimated to be the present value of the incremental after-tax cash flows attributable solely to the intangible asset over its remaining useful life. Key inputs in this model include the cash flow forecast, discount rate, contributory asset charges and tax amortization benefits. As of the evaluation date, the remeasured other intangible assets related to this reporting unit totaled $0.5 million.

In September 2011, the Company performed an evaluation of the recoverability of the fixed assets related to one of its liquid carbon dioxide plants. This evaluation was based upon the receipt of notice in August 2011 that a supplier's hydrogen plant, which generated carbon dioxide as a by-product that served as the feedstock for the Company's co-located liquid carbon dioxide plant, would cease operations in calendar year 2013. In addition, in March 2012, the Company performed an evaluation of the recoverability of the fixed assets related to one of its smaller and less efficient air separation units. The evaluation was based on the re-evaluation of the plan for the operation of the air separation unit over the long-term. See Note 23 for additional details.

As a result of the analyses, the Company remeasured the fixed assets of its liquid carbon dioxide plant and recognized an impairment charge of $2.5 million, and remeasured the fixed assets related to the air separation unit and recognized an impairment charge of $1.8 million, both of which were reflected in the "Restructuring and other special charges, net" line item of the Company's consolidated statement of earnings. The remeasured plant fixed assets totaled $8.8 million and the remeasured fixed assets related to the air separation unit totaled $0.4 million, at each respective date of evaluation. The Company used an income approach to estimate the fair

Notes to Consolidated Financial Statements continued

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values of the plant and air separation unit fixed assets based on significant unobservable inputs (Level 3). Factors such as expected future revenues and margins, the likelihood of asset redeployment and the length of the remaining operating term were considered in determining the future cash flows of the fixed assets at both the plant and air separation unit. The asset groups will not be remeasured at fair value on a recurring basis; however, they are still subject to fair value measurements to test for recoverability of the carrying amounts should future conditions warrant an evaluation.

Fair Value of Debt

The carrying value of debt, which is reported on the Company's consolidated balance sheets, generally reflects the cash proceeds received upon its issuance, net of subsequent repayments, plus the impact of the Company's fair value hedges as applicable. The fair values of the fixed rate notes disclosed in the following table were determined based on quoted prices from the broker/dealer market, observable market inputs for similarly termed treasury notes adjusted for the Company's credit spread and inputs management believes a market participant would use in determining imputed interest for obligations without a stated interest rate (Level 2). The fair values of the revolving credit borrowings, securitized receivables and commercial paper approximate their carrying values.

(In thousands)	Carrying Value at March 31, 2014	Fair Value at March 31, 2014	Carrying Value at March 31, 2013	Fair Value at March 31, 2013
Commercial paper	$ 387,866	$ 387,866	$ —	$ —
Trade receivables securitization	295,000	295,000	295,000	295,000
Revolving credit borrowings	62,286	62,286	44,077	44,077
2013 Notes	—	—	302,466	303,413
2014 Notes	399,952	407,092	399,856	421,582
2015 Notes	249,887	258,630	249,811	263,702
2016 Notes	249,848	259,257	249,778	262,954
2018 Notes	324,579	319,098	324,471	325,401
2020 Notes	274,748	265,600	274,706	274,432
2022 Notes	249,760	233,230	249,732	248,404
2018 Senior Subordinated Notes	—	—	215,446	229,381
Other long-term debt	1,036	1,136	2,475	2,603
Total debt	$ 2,494,962	$ 2,489,195	$ 2,607,818	$ 2,670,949

NOTE 12
STOCKHOLDERS' EQUITY

(a) Common Stock

The Company is authorized to issue up to 200 million shares of common stock with a par value of $0.01 per share. At March 31, 2014, the number of shares of common stock outstanding was 74.1 million, excluding 13.3 million shares of common stock held as treasury stock. At March 31, 2013, the number of shares of common stock outstanding was 73.1 million, excluding 14.1 million shares of common stock held as treasury stock.

(b) Preferred Stock and Redeemable Preferred Stock

The Company is authorized to issue up to 20 million shares of preferred stock. Of the 20 million shares authorized, 200 thousand shares have been designated as Series A Junior Participating Preferred Stock, 200 thousand shares have been designated as Series B Junior Participating Preferred Stock and 200 thousand shares have been designated as Series C Junior Participating Preferred Stock (see *Stockholder Rights Plan* below). At March 31, 2014 and 2013, no shares of the preferred stock were issued or outstanding. The preferred stock may be issued from time to time by the Company's Board of Directors in one or more series. The Board of Directors is authorized to fix the dividend rights and terms, conversion rights, voting rights, rights and terms of redemption, liquidation preferences, and any other rights, preferences, privileges and restrictions of any series of preferred stock, and the number of shares constituting such series and designation thereof.

Additionally, the Company is authorized to issue 30 thousand shares of redeemable preferred stock. At March 31, 2014 and 2013, no shares of redeemable preferred stock were issued or outstanding.

(c) Dividends

During fiscal 2014, the Company paid its stockholders quarterly cash dividends of $0.48 per share at the end of each of its fiscal quarters. On May 1, 2014, the Company's Board of Directors declared a cash dividend of $0.55 per share, which is payable on June 30, 2014 to the stockholders of record as of June 13, 2014. During fiscal 2013, the Company paid its stockholders regular quarterly cash dividends of $0.40 per share at the end of each of its fiscal quarters. During fiscal 2012, the Company paid its stockholders regular quarterly cash dividends of $0.29 per share at the end of the first quarter and $0.32 per share in the second, third and fourth quarters. Future dividend declarations and associated amounts paid will depend upon the Company's earnings, financial condition, loan covenants, capital requirements and other factors deemed relevant by management and the Company's Board of Directors.

(d) Stockholder Rights Plan

Effective May 8, 2007, the Company's Board of Directors adopted a stockholder rights plan (the "2007 Rights Plan"). Pursuant to the 2007 Rights Plan, the Board of Directors declared a dividend distribution of one right for each share of

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

common stock. Each right entitles the holder to purchase from the Company one ten-thousandth of a share of Series C Junior Participating Preferred Stock at an initial exercise price of $230 per share. The 2007 Rights Plan is intended to assure that all of the Company's stockholders receive fair and equal treatment in the event of any proposed takeover of the Company and to protect stockholders' interests in the event the Company is confronted with partial tender offers or other coercive or unfair takeover tactics.

Rights become exercisable after ten days following the acquisition by a person or group of 15% (or 20% in the case of Peter McCausland and certain of his affiliates) or more of the Company's outstanding common stock, or ten business days (or later if determined by the Board of Directors in accordance with the plan) after the announcement of a tender offer or exchange offer to acquire 15% (or 20% in the case of Peter McCausland and certain of his affiliates) or more of the outstanding common stock. If such a person or group acquires 15% or more (or 20% or more, as the case may be) of the common stock, each right (other than such person's or group's rights, which will become void) will entitle the holder to purchase, at the exercise price, common stock having a market value equal to twice the exercise price. In certain circumstances, the rights may be redeemed by the Company at an initial redemption price of $0.0001 per right. If not redeemed, the rights will expire on May 8, 2017.

(e) Stock Repurchase Programs

In October 2012, the Company announced a share repurchase program, with authorization to repurchase up to $600 million of its common stock. By March 31, 2013, 6.3 million shares had been repurchased for $600 million.

In May 2011, the Company announced a program to repurchase up to $300 million of its outstanding shares of common stock. A total of 4.5 million shares were repurchased under the Plan for $300 million during the first quarter of fiscal 2012.

(f) Comprehensive Income

The Company's comprehensive income was $347 million, $340 million and $311 million for the years ended March 31, 2014, 2013 and 2012, respectively. Comprehensive income consists of net earnings, foreign currency translation adjustments, net gain or loss on derivative instruments and the net tax expense or benefit of other comprehensive income items. Net tax expense or benefit of comprehensive income items pertains to the Company's derivative instruments only, as foreign currency translation adjustments relate to permanent investments in foreign subsidiaries. The net gain or loss on derivative instruments reflects valuation adjustments for changes in interest rates, as well as cash settlements with the counterparties and reclassification adjustments to income. See Note 10 for further information on derivative instruments. The following table presents the gross and net changes in the balances within each component of AOCI for each of the three years ended March 31, 2014.

(In thousands)	Foreign Currency Translation Adjustments	Treasury Rate Lock Agreement	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2011	$ 9,047	$ (1,467)	$ 7,580
Foreign currency translation adjustments	(2,520)		(2,520)
Derivative instruments:			
Reclassification adjustments to income		517	517
Net tax effect of other comprehensive income items		(191)	(191)
Net change after tax of other comprehensive income items	(2,520)	326	(2,194)
Balance at March 31, 2012	6,527	(1,141)	5,386
Foreign currency translation adjustments	(1,274)		(1,274)
Derivative instruments:			
Reclassification adjustments to income		517	517
Net tax effect of other comprehensive income items		(191)	(191)
Net change after tax of other comprehensive income items	(1,274)	326	(948)
Balance at March 31, 2013	5,253	(815)	4,438
Foreign currency translation adjustments	(4,235)		(4,235)
Derivative instruments:			
Reclassification adjustments to income		517	517
Net tax effect of other comprehensive income items		(191)	(191)
Net change after tax of other comprehensive income items	(4,235)	326	(3,909)
Balance at March 31, 2014	$ 1,018	$ (489)	$ 529

The following table represents the reclassifications out of AOCI and their effect on the respective line items of the consolidated statements of earnings impacted by the reclassifications for each of the three years ended March 31, 2014.

(In thousands) **Accumulated Other Comprehensive Income Components**	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Items in the Consolidated Statements of Earnings
Year Ended March 31, 2012:		
Losses on cash flow hedges:		
Interest rate lock commitment	$ 517	Interest expense, net
	(191)	Income taxes
	$ 326	Net earnings
Year Ended March 31, 2013:		
Losses on cash flow hedges:		
Interest rate lock commitment	$ 517	Interest expense, net
	(191)	Income taxes
	$ 326	Net earnings
Year Ended March 31, 2014:		
Losses on cash flow hedges:		
Interest rate lock commitment	$ 517	Interest expense, net
	(191)	Income taxes
	$ 326	Net earnings

Notes to Consolidated Financial Statements continued

AIRGAS, INC. AND SUBSIDIARIES

NOTE 13
STOCK-BASED COMPENSATION

The Company recognizes stock-based compensation expense for its equity incentive plan and Employee Stock Purchase Plan. The following table summarizes stock-based compensation expense recognized by the Company in each of the years in the three-year period ended March 31, 2014.

(In thousands)

Years Ended March 31,	2014	2013	2012
Stock-based compensation expense related to:			
Equity Incentive Plan	$ 24,892	$ 22,969	$ 21,721
Employee Stock Purchase Plan — options to purchase stock	4,069	4,084	3,887
	28,961	27,053	25,608
Tax benefit	(10,392)	(9,338)	(8,760)
Stock-based compensation expense, net of tax	$ 18,569	$ 17,715	$ 16,848

2006 Equity Incentive Plan

On August 14, 2012, the Company's stockholders approved the Second Amended and Restated 2006 Equity Incentive Plan (the "2006 Equity Plan"), which included, among other things, a 4.0 million increase in the maximum number of shares available for issuance under the plan. At March 31, 2014, a total of 11.7 million shares were authorized under the 2006 Equity Plan, as amended, for grants of stock options, stock appreciation rights, restricted stock and restricted stock units to employees, directors and consultants of the Company, of which 4.1 million shares of common stock were available for issuance.

Stock options granted prior to April 1, 2006 vest 25% annually and have a maximum term of ten years. Stock options granted subsequent to April 1, 2006 also vest 25% annually and have a maximum term of eight years.

Fair Value

The Company utilizes the Black-Scholes option pricing model to determine the fair value of stock options. The weighted-average grant date fair value of stock options granted during the fiscal years ended March 31, 2014, 2013 and 2012 was $32.41, $29.40 and $22.78, respectively. The following assumptions were used by the Company in valuing the stock options grants issued in each fiscal year:

Stock Option Grant Assumptions

	Fiscal 2014	Fiscal 2013	Fiscal 2012
Expected volatility	40.5%	40.1%	41.1%
Expected dividend yield	1.95%	1.83%	1.73%
Expected term	5.6 years	5.7 years	5.7 years
Risk-free interest rate	1.0%	0.9%	1.9%

The expected volatility assumption used in valuing stock options was determined based on anticipated changes in the underlying stock price over the expected term using historical daily changes of the Company's closing stock price. The expected dividend yield was based on the Company's history and expectation of future dividend payouts. The expected term represents the period of time that the options are expected to be outstanding prior to exercise or forfeiture. The expected term was determined based on historical exercise patterns. The risk-free interest rate was based on U.S. Treasury rates in effect at the time of grant commensurate with the expected term.

Summary of Stock Option Activity

The following table summarizes the stock option activity during the three years ended March 31, 2014:

	Number of Stock Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2011	6,885,586	$ 41.11	
Granted	995,038	$ 66.39	
Exercised	(1,253,672)	$ 29.27	
Forfeited	(42,470)	$ 57.35	
Outstanding at March 31, 2012	6,584,482	$ 47.08	$ 275,849
Granted	966,300	$ 91.52	
Exercised	(2,423,265)	$ 36.67	
Forfeited	(75,501)	$ 67.86	
Outstanding at March 31, 2013	5,052,016	$ 60.26	$ 196,527
Granted	959,700	$102.96	
Exercised	(817,016)	$ 47.38	
Forfeited	(90,276)	$ 85.04	
Outstanding at March 31, 2014	5,104,424	$ 69.91	$ 186,816
Vested or expected to vest at March 31, 2014	5,092,587	$ 69.83	$ 186,794
Exercisable at March 31, 2014	2,934,768	$ 56.15	$ 147,781

The aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of each fiscal year and the exercise price of in-the-money stock options multiplied by the number of stock options outstanding or exercisable as of that date. The total intrinsic value of stock options exercised during the years ended March 31, 2014, 2013 and 2012 was $47.0 million, $125.1 million and $56.9 million, respectively. The weighted-average remaining contractual term of stock options outstanding as of March 31, 2014 was 4.5 years. Common stock to be issued in conjunction with future stock option exercises will be obtained from either new shares or shares from treasury stock.

As of March 31, 2014, $42.0 million of unrecognized non-cash compensation expense related to non-vested stock options is expected to be recognized over a weighted-average vesting period of 1.7 years.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan (the "ESPP") encourages and assists employees in acquiring an equity interest in the Company. As of March 31, 2014, the ESPP was authorized to issue up to 5.5 million shares of Company common stock, of which 1.3 million shares were available for issuance at March 31, 2014, 55,121 shares of which were issued on April 1, 2014.

Notes to Consolidated Financial Statements continued

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Under the terms of the ESPP, eligible employees may elect to have up to 15% of their annual gross earnings withheld to purchase common stock at 85% of the market value. Employee purchases are limited in any calendar year to an aggregate market value of $25 thousand. Market value under the ESPP is defined as either the closing share price on the New York Stock Exchange as of an employee's enrollment date or the closing price on the first business day of a fiscal quarter when the shares are purchased, whichever is lower. An employee may lock-in a purchase price for up to 12 months. The ESPP effectively resets at the beginning of each fiscal year at which time employees are re-enrolled in the plan and a new 12-month purchase price is established. The ESPP is designed to comply with the requirements of Sections 421 and 423 of the Internal Revenue Code.

Compensation expense is measured based on the fair value of the employees' option to purchase shares of common stock at the grant date and is recognized over the future periods in which the related employee service is rendered. The fair value per share of employee options to purchase shares under the ESPP was $19.27, $16.73 and $13.16 for the years ended March 31, 2014, 2013 and 2012, respectively. The fair value of the employees' option to purchase shares of common stock was estimated using the Black-Scholes model. The following assumptions were used by the Company in valuing the employees' option to purchase shares of common stock under the ESPP:

ESPP — Purchase Option Assumptions

	Fiscal 2014	Fiscal 2013	Fiscal 2012
Expected volatility	19.5%	23.2%	24.7%
Expected dividend yield	1.96%	2.19%	2.38%
Expected term	3 to 9 months	3 to 6 months	3 to 6 months
Risk-free interest rate	0.1%	0.1%	0.1%

ESPP — Purchase Option Activity

The following table summarizes the activity of the ESPP during the three years ended March 31, 2014:

	Number of Purchase Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2011	66,828	$ 51.03	
Granted	295,327	$ 53.95	
Exercised	(282,947)	$ 53.92	
Outstanding at March 31, 2012	79,208	$ 51.61	$ 2,959
Granted	244,122	$ 70.74	
Exercised	(261,193)	$ 65.42	
Outstanding at March 31, 2013	62,137	$ 68.74	$ 1,890
Granted	211,093	$ 82.88	
Exercised	(218,109)	$ 79.38	
Outstanding at March 31, 2014	55,121	$ 80.77	$ 1,419

NOTE 14

INTEREST EXPENSE, NET

Interest expense, net, consists of:

(In thousands) Years Ended March 31,	2014	2013	2012
Interest expense	$ 75,361	$ 70,077	$ 68,846
Interest and finance charge income	(1,663)	(2,583)	(2,509)
	$ 73,698	$ 67,494	$ 66,337

NOTE 15

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings by the weighted average number of shares of the Company's common stock outstanding during the period. Outstanding shares consist of issued shares less treasury stock. Diluted earnings per share is calculated by dividing net earnings by the weighted average common shares outstanding adjusted for the dilutive effect of common stock equivalents related to stock options and the Company's ESPP.

Outstanding stock options that are anti-dilutive are excluded from the Company's diluted earnings per share computation. There were approximately 1.5 million, 1.3 million and 1.8 million shares covered by outstanding stock options that were not dilutive for the years ended March 31, 2014, 2013 and 2012, respectively.

The table below presents the computation of basic and diluted weighted average common shares outstanding for the years ended March 31, 2014, 2013 and 2012:

(In thousands, except per share amounts) Years Ended March 31,	2014	2013	2012
Basic Earnings per Share Computation			
Numerator:			
Net earnings	$ 350,784	$ 340,874	$ 313,374
Denominator:			
Basic shares outstanding	73,623	76,651	76,586
Basic earnings per share	$ 4.76	$ 4.45	$ 4.09

(In thousands, except per share amounts) Years Ended March 31,	2014	2013	2012
Diluted Earnings per Share Computation			
Numerator:			
Net earnings	$ 350,784	$ 340,874	$ 313,374
Denominator:			
Basic shares outstanding	73,623	76,651	76,586
Incremental shares from assumed exercises and conversions:			
Stock options and options under the Employee Stock Purchase Plan	1,287	1,656	1,738
Diluted shares outstanding	74,910	78,307	78,324
Diluted earnings per share	$ 4.68	$ 4.35	$ 4.00

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NOTE 16
LEASES

The Company leases certain facilities, fleet vehicles and equipment under long-term operating leases with varying terms. Most leases contain renewal options and in some instances, purchase options. Rentals under these operating leases for the years ended March 31, 2014, 2013 and 2012 totaled approximately $110 million, $106 million and $102 million, respectively. Certain operating facilities are leased at market rates from employees of the Company who were previous owners of businesses acquired. Outstanding capital lease obligations and the related capital assets are not material to the consolidated balance sheets at March 31, 2014 and 2013. In connection with the fleet vehicle operating leases, the Company guarantees a residual value of $25 million, representing approximately 10.2% of the original cost of the equipment currently under lease.

At March 31, 2014, future minimum lease payments under non-cancelable operating leases were as follows:

(In thousands)

Years Ending March 31,	
2015	$ 94,426
2016	80,405
2017	64,631
2018	48,475
2019	31,548
Thereafter	58,016
	$ 377,501

NOTE 17
COMMITMENTS AND CONTINGENCIES

(a) Litigation

The Company is involved in various legal and regulatory proceedings that have arisen in the ordinary course of business and have not been fully adjudicated. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material adverse effect upon the Company's consolidated financial condition, results of operations or liquidity.

(b) Insurance Coverage

The Company has established insurance programs to cover workers' compensation, business automobile and general liability claims. During fiscal 2014, 2013 and 2012, these programs had deductible limits of $1 million per occurrence. For fiscal 2015, the deductible limits are expected to remain at $1 million per occurrence. The Company believes its business insurance reserves are adequate (see Note 8). The Company accrues estimated losses using actuarial models and assumptions based on historical loss experience. The nature of the Company's business may subject it to product and general liability lawsuits. To the extent that the Company is subject to claims that exceed its liability insurance coverage, such suits could have a material adverse effect on the Company's financial position, results of operations or liquidity.

The Company maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Company maintains a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The Company adjusts its self-insured medical benefits reserve as the Company's loss experience changes due to medical inflation, changes in the number of plan participants and an aging employee base. The Company's self-insured medical benefits reserve was $12.9 million and $9.4 million at March 31, 2014 and 2013, respectively.

(c) Supply Agreements

The Company purchases bulk quantities of industrial gases under take-or-pay supply agreements. The Company is a party to a take-or-pay supply agreement, in effect through 2017, under which Air Products and Chemicals, Inc. ("Air Products") will supply the Company with bulk nitrogen, oxygen, argon, hydrogen and helium. The Company is committed to purchase a minimum of approximately $52 million annually in bulk gases under the Air Products supply agreement. The Company also has take-or-pay supply agreements with The Linde Group AG to purchase oxygen, nitrogen, argon and helium. The agreements expire at various dates through 2019 and represent approximately $45 million in minimum annual bulk gas purchases. Additionally, the Company has take-or-pay supply agreements to purchase oxygen, nitrogen, argon and

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helium from other major producers. Minimum annual purchases under these contracts are approximately $29 million and they expire at various dates through 2024.

The Company also purchases liquid carbon dioxide and ammonia under take-or-pay supply agreements. The Company is a party to take-or-pay supply agreements for the purchase of liquid carbon dioxide with ten suppliers that expire at various dates through 2044 and represent minimum annual purchases of approximately $22 million. The Company purchases ammonia from a variety of sources and is obligated to purchase a minimum of approximately $1 million annually under these contracts.

The Company's annual purchase commitments under all of its supply agreements reflect estimates based on fiscal 2014 purchases. The Company's supply agreements contain periodic pricing adjustments, most of which are based on certain economic indices and market analyses. The Company believes the minimum product purchases under the agreements are within the Company's normal product purchases. Actual purchases in future periods under the supply agreements could differ materially from those presented above due to fluctuations in demand requirements related to varying sales levels as well as changes in economic conditions. If a supply agreement with a major supplier of gases or other raw materials was terminated, the Company would attempt to locate alternative sources of supply to meet customer requirements, including utilizing excess internal production capacity for atmospheric gases. The Company purchases hardgoods from major manufacturers and suppliers. For certain products, the Company has negotiated national purchasing arrangements. The Company believes that if an arrangement with any supplier of hardgoods was terminated, it would be able to negotiate comparable alternative supply arrangements.

At March 31, 2014, future commitments under take-or-pay supply agreements were as follows:

(In thousands)

Years Ending March 31,	
2015	$ 149,103
2016	137,432
2017	105,929
2018	54,802
2019	41,541
Thereafter	111,191
	$ 599,998

(d) Letters of Credit

At March 31, 2014, the Company had outstanding letters of credit of $51 million. Letters of credit are guarantees of payment to third parties. The Company's letters of credit principally back obligations associated with the Company's deductible on workers' compensation, business automobile and general liability claims. The letters of credit are supported by the Company's Credit Facility.

NOTE 18

BENEFIT PLANS

Historically, the Company participated in several multi-employer defined benefit pension plans ("MEPPs") providing defined benefits to union employees under the terms of collective bargaining agreements. The Company recognized charges related to its withdrawal from the last of these plans of $4.3 million for the year ended March 31, 2012. The Company successfully negotiated its withdrawal from all MEPPs in which it previously participated.

The Company has a defined contribution 401(k) plan (the "401(k) plan") covering substantially all full-time employees. Under the terms of the 401(k) plan, the Company makes matching contributions of up to two percent of participant wages. Amounts expensed under the 401(k) plan for fiscal 2014, 2013 and 2012 were $12.3 million, $11.7 million and $11.1 million, respectively.

The Company has a deferred compensation plan that is a non-qualified plan. The deferred compensation plan allows eligible employees and non-employee directors, who elect to participate in the plan, to defer the receipt of taxable compensation. Participants may set aside up to a maximum of 75% of their base salary and up to a maximum of 100% of their bonus compensation or directors' fees in tax-deferred investments. The Company's deferred compensation plan liabilities are funded through an irrevocable rabbi trust. The assets of the trust, which consist of open-ended mutual funds, cannot be reached by the Company or its creditors except in the event of the Company's insolvency or bankruptcy. Assets held in the rabbi trust were $16.4 million and $13.6 million at March 31, 2014 and 2013, respectively, and are included within other non-current assets on the consolidated balance sheets. The Company's deferred compensation plan liabilities were $16.4 million and $13.6 million at March 31, 2014 and 2013, respectively, and are included within other non-current liabilities on the consolidated balance sheets. Gains or losses on the deferred compensation plan assets are recognized as other income, net, while gains or losses on the deferred compensation plan liabilities are recognized as compensation expense in the consolidated statements of earnings.

NOTE 19

RELATED PARTIES

The Company purchases and sells goods and services in the ordinary course of business with certain corporations in which some of its directors are officers or directors. The Company also leases certain operating facilities from employees who were previous owners of businesses acquired. Payments made to related parties for fiscal 2014, 2013 and 2012 were $4.1 million, $3.9 million and $3.6 million, respectively. Amounts paid to related parties represented values considered fair and reasonable and reflective of arm's length transactions.

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NOTE 20

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid for Interest and Taxes

Cash paid for interest and income taxes was as follows:

(In thousands) Years Ended March 31	2014	2013	2012
Interest paid	$ 86,479	$ 66,569	$ 67,756
Income taxes, net of refunds	164,482	133,951	94,976

Noncash Investing Transactions

Liabilities assumed as a result of acquisitions were as follows:

(In thousands) Years Ended March 31,	2014	2013	2012
Fair value of assets acquired	$ 218,413	$ 115,402	$ 184,017
Net cash paid for acquisitions [(a)]	(205,370)	(97,521)	(160,115)
Liabilities assumed	$ 13,043	$ 17,881	$ 23,902

(a) Includes the purchase of businesses and the settlement of holdback liabilities and payments related to contingent consideration arrangements associated with prior year acquisitions.

NOTE 21

SUMMARY BY BUSINESS SEGMENT

The Company identifies its businesses as separate operating segments for reporting purposes based on the review of discrete financial results for each of the businesses by the Company's chief operating decision maker for performance assessment and resource allocation purposes. The Company aggregates its operating segments, based on products and services, into two business segments, Distribution and All Other Operations. The Distribution business segment represents the Company's only reportable segment under GAAP, while the All Other Operations business segment represents the aggregation of all other operating segments of the Company not considered reportable under GAAP. The Distribution business segment consists of 20 operating segments, including fourteen regional gas and hardgoods distribution businesses, three gas companies that either produce or market gas products sold primarily through the Company's regional distribution businesses, two companies that sell or provide safety-related products and services, and the Company's rental welder business. The aggregation of the operating segments that form the Distribution business segment is based on the segment's foundation as a national integrated distribution business providing a broad array of gas products and supporting services offered in all modes of gas distribution, from large bulk quantities to smaller quantities in cylinder or packaged form, as well as a broad complementary hardgoods product line.

The Distribution business segment's principal products include industrial, medical and specialty gases sold in packaged and bulk quantities, as well as hardgoods. The Company's air separation facilities and national specialty gas labs primarily produce gases that are sold by the regional distribution businesses. Gas sales include nitrogen, oxygen, argon, helium, hydrogen, welding and fuel gases such as acetylene, propylene and propane, carbon dioxide, nitrous oxide, ultra high purity grades, special application blends and process chemicals. Business units in the Distribution business segment also recognize rental revenue, derived from gas cylinders, cryogenic liquid containers, bulk storage tanks, tube trailers and welding and welding related equipment. Gas and rent represented 60%, 59% and 58% of the Distribution business segment's sales in fiscal years 2014, 2013 and 2012, respectively. Hardgoods consist of welding consumables and equipment, safety products, construction supplies, and maintenance, repair and operating supplies. Hardgoods sales represented 40%, 41% and 42% of the Distribution business segment's sales in fiscal years 2014, 2013 and 2012, respectively. The Distribution business segment accounted for approximately 90% of consolidated sales in each of the fiscal years 2014, 2013 and 2012.

The All Other Operations business segment consists of six operating segments, of which five primarily manufacture and/or distribute single gas product lines (carbon dioxide, dry ice, nitrous oxide, ammonia and refrigerant gases), and one of which represents a medical gas system construction and service business. The operating segments reflected in the All Other Operations business segment individually do not meet the thresholds to be reported as separate reportable segments. Elimination entries represent intercompany sales from the Company's All Other Operations business segment to its Distribution business segment.

The Company's operations are predominantly in the United States. However, the Company does conduct operations outside of the United States in Canada, Mexico, Russia, Dubai and several European countries. Revenues derived from foreign countries, based on the point of sale, were $85 million, $84 million and $83 million in the fiscal years ended March 31, 2014, 2013 and 2012, respectively. Long-lived assets attributable to the Company's foreign operations represent less than 4% of the consolidated total long-lived assets of the Company and were $168 million, $157 million and $146 million at March 31, 2014, 2013 and 2012, respectively. Long-lived assets primarily consist of plant and equipment as well as intangible assets. The Company's customer base is diverse with its largest customer accounting for approximately 0.5% of total net sales.

Business segment information for the Company's Distribution and All Other Operations business segments is presented in the following tables for the years ended March 31, 2014, 2013 and 2012. The accounting policies of the business segments are the same as those described in the Summary of Significant Accounting Policies (Note 1). Although corporate operating expenses are generally allocated to each business segment based on sales dollars, the Company reports expenses (excluding depreciation) related to the implementation of its SAP system and the Company's withdrawal from various MEPPs under selling, distribution and administrative expenses in the "Eliminations and Other" column. Additionally, the Company's restructuring and other special charges, net and the legal, professional and other costs (benefits) incurred as a result of the fiscal 2011 Air Products unsolicited takeover attempt are not allocated to the Company's business segments. These costs (benefits) are also reflected in the "Eliminations and Other" column. Corporate assets have been allocated to the Distribution business segment, intercompany sales are recorded on the same basis as sales to third parties, and intercompany transactions are eliminated in consolidation. See Note 3 for the impact of acquisitions on the operating results of each business segment. Management utilizes more

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than one measurement and multiple views of data to measure segment performance and to allocate resources to the segments. However, the predominant measurements are consistent with the Company's consolidated financial statements and, accordingly, are reported on the same basis in the following tables.

(In thousands)

Year Ended March 31, 2014	Distribution	All Other Operations	Eliminations and Other	Total
Gas and rent	$ 2,717,272	$ 539,954	$ (30,404)	$ 3,226,822
Hardgoods	1,841,518	4,200	(3)	1,845,715
Total net sales [(a)]	4,558,790	544,154	(30,407)	5,072,537
Cost of products sold (excluding depreciation) [(a)]	1,996,065	281,916	(30,407)	2,247,574
Selling, distribution and administrative expenses	1,705,408	176,289	7,426	1,889,123
Depreciation	252,329	23,132	—	275,461
Amortization	25,512	4,333	—	29,845
Operating income	$ 579,476	$ 58,484	$ (7,426)	$ 630,534
Assets	$ 5,222,781	$ 570,533	$ —	$ 5,793,314
Capital expenditures	$ 317,066	$ 37,521	$ —	$ 354,587

(In thousands)

Year Ended March 31, 2013	Distribution	All Other Operations	Eliminations and Other	Total
Gas and rent	$ 2,577,901	$ 587,322	$ (34,201)	$ 3,131,022
Hardgoods	1,820,204	6,276	(5)	1,826,475
Total net sales [(a)]	4,398,105	593,598	(34,206)	4,957,497
Cost of products sold (excluding depreciation) [(a)]	1,958,573	311,200	(34,206)	2,235,567
Selling, distribution and administrative expenses	1,620,651	174,643	33,230	1,828,524
Restructuring and other special charges, net	—	—	8,089	8,089
Depreciation	240,167	21,455	—	261,622
Amortization	22,297	4,981	—	27,278
Operating income	$ 556,417	$ 81,319	$ (41,319)	$ 596,417
Assets	$ 5,047,042	$ 571,183	$ —	$ 5,618,225
Capital expenditures	$ 300,431	$ 25,034	$ —	$ 325,465

(In thousands)

Year Ended March 31, 2012	Distribution	All Other Operations	Eliminations and Other	Total
Gas and rent	$ 2,462,232	$ 543,111	$ (37,784)	$ 2,967,559
Hardgoods	1,772,637	6,102	(15)	1,778,724
Total net sales [(a)]	4,234,869	549,213	(37,799)	4,746,283
Cost of products sold (excluding depreciation) [(a)]	1,918,108	295,121	(37,799)	2,175,430
Selling, distribution and administrative expenses	1,528,215	162,205	37,349	1,727,769
Restructuring and other special charges, net	—	—	24,448	24,448
Costs (benefits) related to unsolicited takeover attempt	—	—	(7,870)	(7,870)
Depreciation	225,723	19,353	—	245,076
Amortization	20,139	5,070	—	25,209
Operating income	$ 542,684	$ 67,464	$ (53,927)	$ 556,221
Assets	$ 4,816,034	$ 504,551	$ —	$ 5,320,585
Capital expenditures	$ 333,271	$ 23,243	$ —	$ 356,514

(a) Amounts in the "Eliminations and Other" column represent the elimination of intercompany sales and associated gross profit on sales from the Company's All Other Operations business segment to its Distribution business segment.

NOTE 22

RESTRUCTURING AND OTHER SPECIAL CHARGES, NET

The Company incurred no restructuring and other special charges, including asset impairment charges, for the year ended March 31, 2014. The following table presents the components of restructuring and other special charges, net, for the years ended March 31, 2013 and 2012:

(In thousands)

Years Ended March 31,	2013	2012
Restructuring costs (benefits), net	$ (2,177)	$ 14,473
Other related costs	8,537	5,725
Asset impairment charges (Note 23)	1,729	4,250
Total restructuring and other special charges, net	$ 8,089	$ 24,448

Restructuring Costs (Benefits), Net

In May 2011, the Company announced the alignment of its then twelve regional distribution companies into four new divisions, and the consolidation of its regional company accounting and certain administrative functions into four newly created Business Support Centers ("BSCs"). Additionally, the Company initiated a related change in its legal entity structure on January 1, 2012 whereby each Airgas regional distribution company would merge, once converted to SAP, into a single limited liability company ("LLC") of which Airgas, Inc. is the sole member. Prior to conversion to SAP, each of the Company's twelve regional distribution companies operated its own accounting and administrative functions. Enabled by the Company's conversion to a single information platform across all of its regional distribution businesses as part of the SAP implementation, the restructuring allows Airgas to more effectively utilize its resources across its regional distribution businesses and form an operating structure to leverage the full benefits of its new SAP platform. As a result of the realignment plan, the Company recorded an initial restructuring charge of $13.3 million during the year ended March 31, 2012 for severance benefits expected to be paid under the Airgas, Inc. Severance Pay Plan to employees whose jobs were eliminated as a result of the realignment.

During the year ended March 31, 2012, the Company recorded $14.5 million in restructuring costs. The majority of the costs for fiscal 2012 were related to the $13.3 million initial severance restructuring charge.

During the year ended March 31, 2013, the Company recorded $2.2 million in net restructuring benefits. In fiscal 2013, the Company re-evaluated its remaining severance liability related to the divisional realignment and, as a result of this analysis, reduced its severance liability by $3.7 million. The change in estimate was driven by fewer than expected individuals meeting the requirements to receive severance benefits. This reduction was due to both the retention of employees through relocation or acceptance of new positions, as well as former associates who chose not to remain with the Company through their designated separation dates. Offsetting the benefit from the reduction to the severance liability were additional restructuring costs of $1.5 million, primarily related to relocation and other costs.

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Restructuring costs related to the plan were not allocated to the Company's business segments (see Note 21). The activity in the accrued liability balances associated with the restructuring plan was as follows for the years ended March 31, 2014, 2013 and 2012:

(In thousands)	Severance Costs	Facility Exit and Other Costs	Total
Balance at March 31, 2011	$ —	$ —	$ —
Restructuring charges	13,330	1,143	14,473
Cash payments and other adjustments	(192)	(153)	(345)
Balance at March 31, 2012	$ 13,138	$ 990	$ 14,128
Restructuring charges	—	1,523	1,523
Cash payments	(4,756)	(2,199)	(6,955)
Other adjustments	(3,700)	—	(3,700)
Balance at March 31, 2013	$ 4,682	$ 314	$ 4,996
Cash payments and other adjustments	(3,321)	(237)	(3,558)
Balance at March 31, 2014	$ 1,361	$ 77	$ 1,438

As of March 31, 2013, the divisional alignment was complete and all material costs related to the restructuring had been incurred. The remaining accrued liability balances associated with the restructuring plan at March 31, 2014 are not material.

Other Related Costs

For the years ended March 31, 2013 and 2012, the Company also incurred $8.5 million and $5.7 million, respectively, of other costs related to the divisional alignment and LLC formation. These costs primarily related to transition staffing for the BSCs, legal costs and other expenses associated with the Company's organizational and legal entity changes.

Asset Impairment Charges

The Company recorded special charges related to asset impairments of $1.7 million and $4.3 million during the years ended March 31, 2013 and 2012, respectively — see Note 23 for further information.

NOTE 23

ASSET IMPAIRMENT CHARGES

As a result of an impairment analysis performed on the long-lived assets associated with a reporting unit in the Company's All Other Operations business segment, the Company recorded a charge of $1.7 million related to certain of the intangible assets associated with this business during the three months ended June 30, 2012 (see Note 7). The charge was reflected in the "Restructuring and other special charges, net" line item of the Company's consolidated statement of earnings and was not allocated to the Company's business segments (see Note 21).

In August 2011, the Company received 24 months notice that a supplier's hydrogen plant, which generated carbon dioxide as a by-product that served as the feedstock for the Company's co-located liquid carbon dioxide plant, would cease operations in calendar year 2013. The hydrogen plant continued to supply the feedstock for its liquid carbon dioxide plant during the intervening period, and many of the assets at the Company's liquid carbon dioxide plant were transferred to a newly constructed facility to replace its production of liquid carbon dioxide in the region. Additionally, in March 2012, the Company re-evaluated its plan for the operation of one of its smaller and less efficient air separation units over the long-term.

In accordance with guidance for the impairment of long-lived assets, the Company separately evaluated the fixed assets at the liquid carbon dioxide plant and air separation unit for recovery. Using the undiscounted expected future cash flows for each asset group, the Company determined that the undiscounted expected future cash flows of the fixed assets at both locations were not sufficient to support the respective carrying values of the assets. In order to determine whether an impairment existed for either group of fixed assets, the fair values of the respective asset groups were estimated using internally developed discounted cash flow models. Factors such as expected future revenues and margins, the likelihood of asset redeployment and the length of the remaining operating terms were considered in determining the future cash flows of the fixed assets.

As a result of the impairment analysis performed on the assets at the liquid carbon dioxide production facility, Airgas recorded a charge of $2.5 million in September 2011 to adjust the carrying value of the plant assets to the Company's estimated fair value. The Company recorded a similar charge of $1.8 million in March 2012 related to the air separation unit. The impairment charges are reflected in the "Restructuring and other special charges, net" line item of the Company's consolidated statements of earnings and were not allocated to the Company's business segments (see Note 21).

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NOTE 24
SUPPLEMENTARY INFORMATION (UNAUDITED)

The following table summarizes the unaudited results of operations for each quarter of fiscal 2014 and 2013:

(In thousands, except per share amounts)	First	Second	Third	Fourth
2014				
Net sales	$ 1,279,891	$ 1,281,970	$ 1,242,846	$ 1,267,830
Operating income	156,614	168,769	154,919	150,232
Net earnings [c]	84,686	94,982	82,759	88,357
Basic earnings per share [a]	$ 1.16	$ 1.29	$ 1.12	$ 1.19
Diluted earnings per share [a]	$ 1.14	$ 1.27	$ 1.10	$ 1.17
2013				
Net sales	$ 1,257,256	$ 1,229,610	$ 1,207,708	$ 1,262,923
Operating income [b]	151,690	145,186	147,279	152,261
Net earnings [c]	90,798	81,020	82,915	86,140
Basic earnings per share [a]	$ 1.18	$ 1.05	$ 1.07	$ 1.15
Diluted earnings per share [a]	$ 1.15	$ 1.03	$ 1.05	$ 1.13

(a) Earnings per share calculations for each of the quarters are based on the weighted average number of shares outstanding in each quarter. Therefore, the sum of the quarterly earnings per share does not necessarily equal the full year earnings per share disclosed on the consolidated statements of earnings.

(b) Operating income includes the following items:

(In thousands)	First	Second	Third	Fourth
2013				
Restructuring and other special charges (benefits), net (Notes 22 and 23)	$ 5,712	$ 2,443	$ (1,729)	$ 1,663

(c) Net earnings include the after tax impact of the above listed items in operating income as well as the following non-operating items after tax:

(In thousands)	First	Second	Third	Fourth
2014				
Loss on the extinguishment of debt (Note 9)	$ —	$ —	$ 5,646	$ —
State income tax benefits [d]	—	(1,493)	—	(1,800)
2013				
Gain on sale of businesses (Note 3)	$ (5,491)	$ —	$ —	$ —

(d) During the three months ended September 30, 2013, the Company recognized a $1.5 million tax benefit related to a change in a state income tax law, allowing the Company to utilize additional net operating loss carryforwards. During the three months ended March 31, 2014, the Company recognized an additional $1.8 million of tax benefits related to enacted changes in state income tax rates.

NOTE 25
UNSOLICITED TAKEOVER ATTEMPT

On February 11, 2010, Air Products initiated an unsolicited tender offer for all of the Company's outstanding shares of common stock. In connection with this unsolicited tender offer, Air Products filed an action against the Company and members of its Board in the Delaware Court of Chancery. On February 15, 2011, the Delaware Court of Chancery denied in their entirety all requests for relief by Air Products and dismissed with prejudice all claims asserted against the Company and its directors. Air Products promptly terminated its unsolicited tender offer and no appeal of the Court's decision was filed. In connection with the unsolicited tender offer and related litigation, the Company incurred on a cumulative basis a net $60.0 million of legal and professional fees and other costs. The Company recognized benefits of $7.9 million during the year ended March 31, 2012 from lower than previously estimated net costs related to the unsolicited takeover attempt. The Company's results were not impacted by the unsolicited takeover attempt during the years ended March 31, 2013 and 2014.

NOTE 26
SUBSEQUENT EVENT

On May 1, 2014, the Company announced that its Board of Directors declared a regular quarterly cash dividend of $0.55 per share. The dividend is payable June 30, 2014 to stockholders of record as of June 13, 2014.